

***CITY OF CEDAR SPRINGS  
CEDAR SPRINGS, MICHIGAN***

*41-2010*

***FINANCIAL STATEMENTS***

***FOR THE YEAR ENDED JUNE 30, 2004***

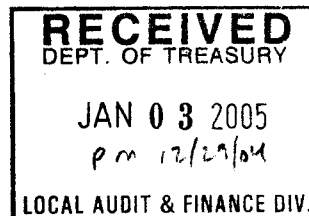


**REHMANN ROBSON**

*Certified Public Accountants*

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.



Local Government Type <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name CITY OF CEDAR SPRINGS	County KENT COUNTY
Audit Date JULY 23, 2004	Opinion Date JULY 16, 2004	Date Accountant Report Submitted to State: DECEMBER 28, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

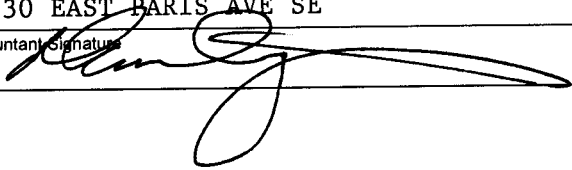
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |   |   |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

**We have enclosed the following:**

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			X
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) REHMANN ROBSON			
Street Address 2330 EAST PARIS AVE SE	City GRAND RAPIDS	State MI	ZIP 49516
Accountant Signature 			Date DECEMBER 28, 2004



# REHMANN ROBSON

*Certified Public Accountants*

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## INDEPENDENT AUDITORS' REPORT

July 23, 2004

Honorable Mayor and  
Members of the City Council  
City of Cedar Springs, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Cedar Springs, Michigan (the "City"), as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the City of Cedar Springs, Michigan. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented components units, each major fund, and the aggregate remaining fund information of the City of Cedar Springs, Michigan as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 23, 2004 on our consideration of the City of Cedar Springs's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

As described in Note 9, the City adopted the provisions of Governmental Accounting Standards Board Statement Nos. 34, 37, and 38 and GASB Interpretation 6 as of July 1, 2003. This results in a change to the City's format and content of the basic financial statements.

The Management's Discussion and Analysis on pages 3-12 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Cedar Springs' basic financial statements. The combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the City of Cedar Springs basic financial statements. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of basic financial statements and, in our opinion, are fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

*Rehmann Lohman*

# CITY OF CEDAR SPRINGS

## TABLE OF CONTENTS

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	<u>PAGE</u>
<b>Independent Auditors' Report</b>	1-2
<b>Basic Financial Statements:</b>	
Management's Discussion and Analysis	3-12
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	13
Statement of Activities	14-15
Fund Financial Statements:	
Balance Sheet – Governmental Funds	16
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to the Net Assets of Governmental Activities on the Statement of Net Assets	17
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	18
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	19
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund	20
Statement of Net Assets – Proprietary Funds	21
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds	22
Statement of Cash Flows – Proprietary Funds	23
Statement of Net Assets – Fiduciary Funds	24
Notes to Financial Statement	25-39
<b>Combining and Individual Fund Statements and Schedules</b>	
<b>Nonmajor Governmental Funds:</b>	
Combining Balance Sheet	40
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	41
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – Major Street Special Revenue Fund	42
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – Local Street Special Revenue Fund	43

# CITY OF CEDAR SPRINGS

## TABLE OF CONTENTS

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	<u>PAGE</u>
<b>Combining and Individual Fund Statements and Schedules (Continued)</b>	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – Library Special Revenue Fund	44
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – Sidewalk Special Revenue Fund	45
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – Federal Community Development Special Revenue Fund	46
<b>General Fund:</b>	
Schedule of Expenditures and Other Financing Uses	47-51
<b>Fiduciary Fund:</b>	
Statement of Changes in Assets and Liabilities - Agency Fund	52
<b>Component Units:</b>	
<b>Downtown Development Authority</b>	
Combining Balance Sheet	53
Reconciliation of the Fund Balances on the Balance Sheet for Component Units Funds to the Net Assets on the Statement of Net Assets	54
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	55
Reconciliation of the Statement of Revenues, Expenditures, and Change if the Fund Balances to the Statement of Activities	56
<b>Local Development Finance Authority</b>	
Balance Sheet/Statement of Net Assets	57
Statement of Revenues, Expenditures and Changes in Fund Balances/Statement of Activities	58
<b>Schedule of Indebtedness</b>	59-62
<b>Internal Control and Compliance</b>	
Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	63

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## Management's Discussion and Analysis

As management of the City of Cedar Springs, we offer readers of the City of Cedar Spring's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2004. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

### Financial Highlights

- The City's commitment to public safety was supported by over 29% of general fund expenditures.
- The main street reconstruction project featuring more than \$1,950,000 in improvements to the downtown area along Main Street was completed.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Cedar Spring's financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Cedar Springs that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government administration, police and fire services, public works including major and local street maintenance and recreation and cultural activities. The business-type activities of the City include sewer and water services.

The government-wide financial statements include not only the City of Cedar Springs itself (known as the *primary government*), but also a legally separate Downtown Development Authority and Local Development Finance Authority for which the City is financially accountable. Financial information for these *component units* are reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 13-15 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Cedar Springs, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.



**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains ten individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, West Side Paving, and Main Street Reconstruction funds, each of which are considered to be major funds. Data from the other seven governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 16-20 of this report.

**Proprietary funds.** The City of Cedar Springs maintains three proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Cedar Springs uses enterprise funds to account for its sewer and water operations. *Internal service funds* are an accounting device used to accumulate and allocate costs of its motor vehicle and equipment usage internally among the City's various functions. Because these services predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the sewer and water operation, of which both are considered to be major funds of the City of Cedar Springs.

The basic proprietary fund financial statements can be found on pages 21-23 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statement can be found on page 24 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25-39 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. This is limited to this management discussion and analysis.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 40-52 of this report.

### Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Cedar Springs, assets exceeded liabilities by \$7,957,951 at the close of the most recent fiscal year.

A portion of the City's net assets reflects unrestricted net assets which are available for future operation while a significant portion of net assets is invested in capital assets (e.g., land, buildings, vehicles, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Because this is the first year of implementation of Government Accounting Standards Board Statement No. 34, which requires this new reporting model, the following tables present only current year data. In future years, when prior-year information is available, comparative analysis of government-wide data will be presented.

#### City of Cedar Springs Net Assets

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Total</u>
Current and other assets	\$ 2,112,536	\$ 914,158	\$ 3,226,694
Capital assets	2,354,764	9,337,240	11,492,004
Total assets	4,467,300	10,251,398	14,718,698
Long-term liabilities outstanding	2,414,592	4,031,000	6,445,592
Other liabilities	154,306	161,891	316,197
Total liabilities	2,568,898	4,192,891	6,761,788
Net assets:			
Invested in capital assets, net of related debt	(101,240)	5,035,240	4,900,667
Restricted	912,499	-	912,499
Unrestricted	1,088,185	1,023,267	2,111,452
Total net assets	<u>\$ 1,899,444</u>	<u>\$ 6,058,507</u>	<u>\$ 7,957,951</u>

Net assets of the City increased by \$197,049. The business-type activities increase in net assets of \$40,978 was primarily due to the results of operations. The governmental activities increase in net assets of \$156,071 is the result of estimated useful lives utilized in calculating depreciation and the relationship of expenditures to governmental activities revenues.

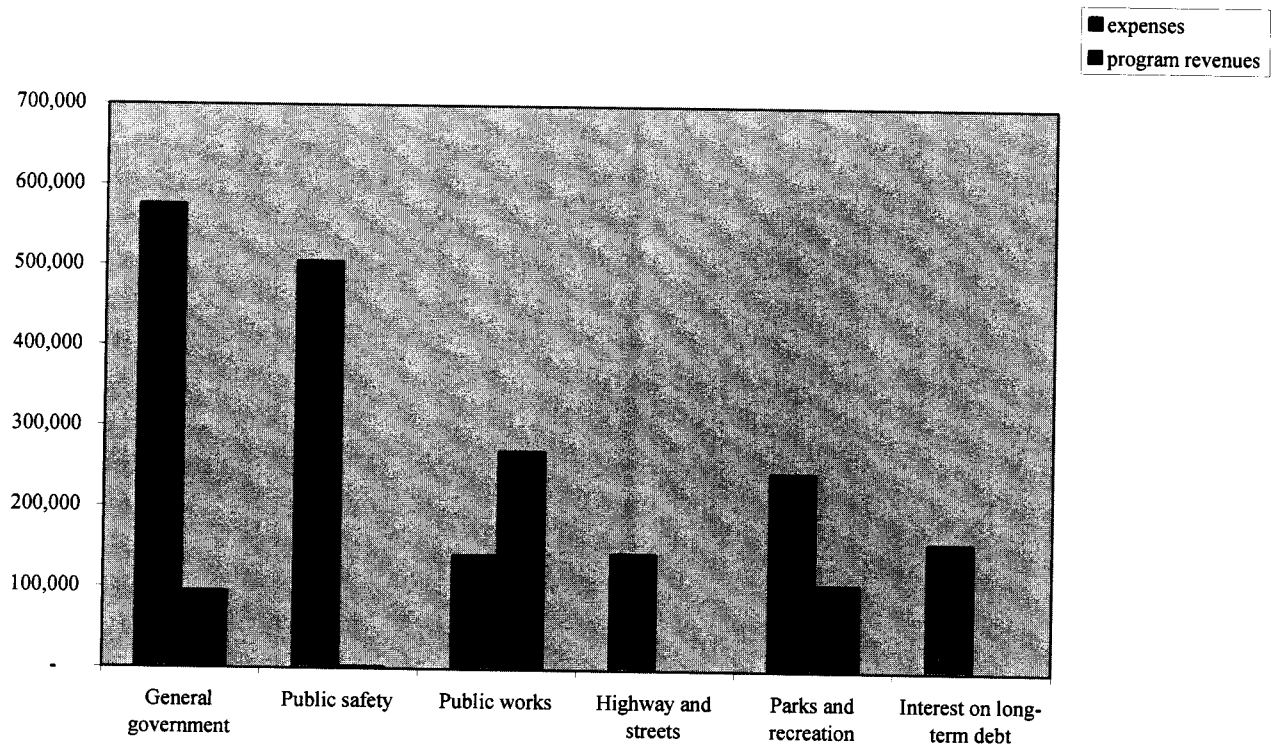
# City of Cedar Springs Changes in Net Assets

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Total</u>
Revenue:			
Program revenue:			
Charges for services	\$ 421,986	\$ 941,862	\$ 1,363,848
Operating grants and contributions	60,758	-	60,758
Capital grants and contributions	18,632	-	18,632
	<u>501,376</u>	<u>941,862</u>	<u>1,443,238</u>
General revenue:			
Property taxes	1,049,264	-	1,049,264
Other governmental sources	396,636	-	396,636
Other	35,375	9,413	44,788
Total revenue	<u>1,982,650</u>	<u>951,275</u>	<u>2,933,925</u>
Expenses:			
General government	630,953	-	630,953
Public safety	510,818	-	510,818
Public works	141,614	-	141,614
Highway and streets	144,854	-	144,854
Recreation and cultural	245,709	-	245,709
Interest on long-term debt	99,216	-	99,216
Sewer	-	638,693	638,693
Water	-	325,019	325,019
Total expenses	<u>1,773,164</u>	<u>963,712</u>	<u>2,736,876</u>
Increase (decrease) in net assets before special items and transfers	209,486	(12,437)	197,049
Transfers	<u>(53,415)</u>	<u>53,415</u>	<u>-</u>
Increase (decrease) in net assets	156,071	40,978	197,049
Net assets - beginning of year	<u>1,743,373</u>	<u>6,017,529</u>	<u>7,760,902</u>
Net assets - end of year	<u>\$ 1,899,444</u>	<u>\$ 6,058,507</u>	<u>\$ 7,957,951</u>

## Governmental activities

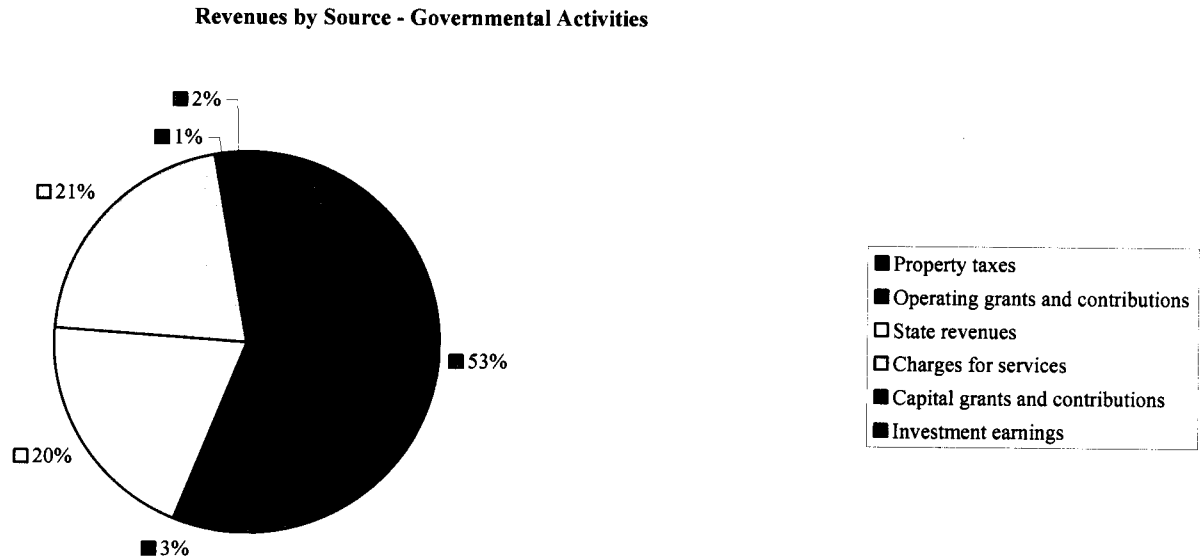
During the year, the City continued its emphasis in public safety by investing \$510,818 or 29% of governmental activities expenses. Recreation and cultural was 14% of governmental activities expenses while general government, public works, highway and streets and interest on long-term debt made up the remaining 57% of governmental activities expenses.

## Expenses and Program Revenues - Governmental Activities



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## Revenues by Source - Governmental Activities



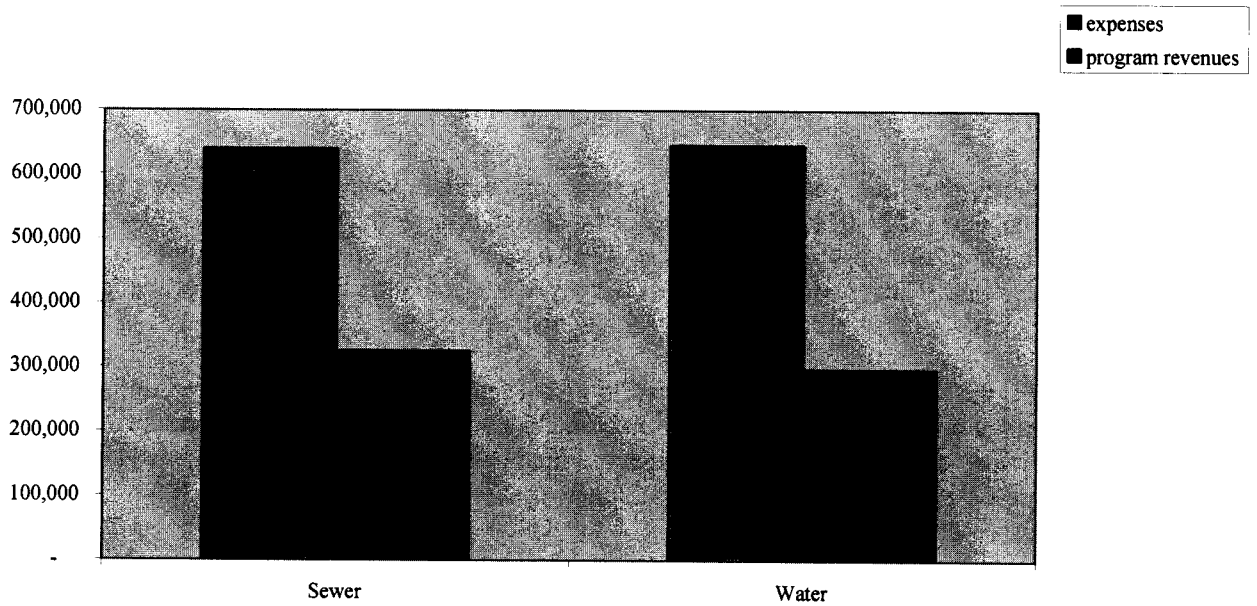
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**Business-type activities.** Business-type activities increased the City's net assets by \$40,978. By comparison, business-type activities reported a decrease in net assets the previous fiscal year of approximately \$487,932. Key elements of this increase are as follows:

- Charges for services for business-type activities increased by 8 percent, or roughly \$70,584, compared to the prior year. This is a result of increased usage (i.e., volume) for the water and sewer system.
  - Expenses decreased 26%, or approximately \$270,000, primarily due to a maintenance charge for the lagoon in prior year.
  - In prior year, the transfers to other funds totaled \$259,000 which was primarily used to fund capital projects.
-

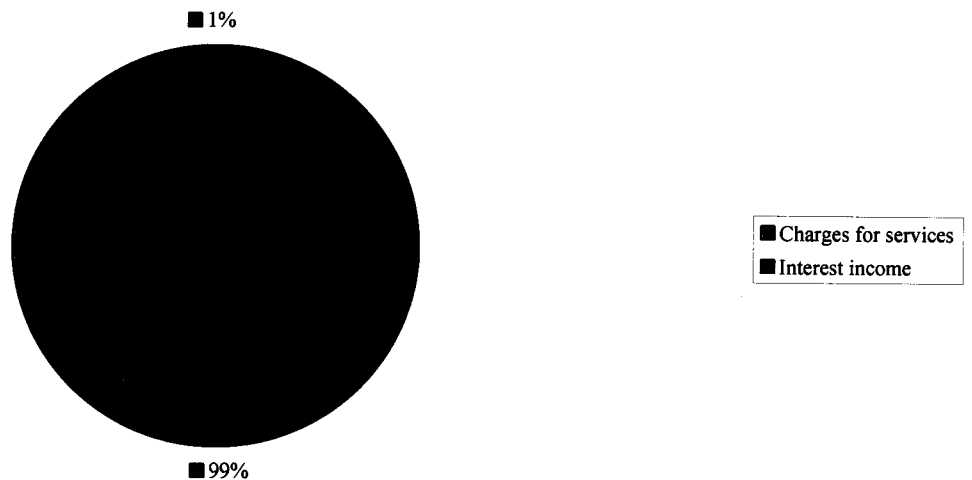
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### Expenses and Program Revenues - Business-type Activities



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### Revenues by Source - Business-type Activities



## **Financial Analysis of the Government's Funds**

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$1,751,626, a decrease of \$1,072,931 in comparison with the prior year. Approximately 99 percent of this total amount (\$1,736,626) constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed for a Christmas tree fund.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was \$453,512, while total fund balance was \$468,512. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 34 percent of total general fund expenditures.

The fund balance of the City's general fund increased by \$94,125 during the current fiscal year. This is primarily attributable to growth in property tax base.

The major and local street funds have total fund balances of \$428,350, which increased by \$88,135 during the year.

**Proprietary funds.** The City's proprietary funds provide the same type of information found in the government wide financial statements, but in more detail.

Unrestricted net assets of the sewer and water funds at the end of the year amounted to \$433,258 and \$486,664, respectively. The sewer fund had an increase in net assets for the year of \$38,066, whereas the water fund had an increase of \$2,912. Other factors concerning the finances of these two funds have already been addressed in the discussion of the City's business-type activities.

## **General Fund Budgetary Highlights**

Differences between the original and final amended budgets for expenditures were relatively minor for the year.

## Capital Asset and Debt Administration

**Capital assets.** The City's investment in capital assets for its governmental and business type activities as of June 30, 2004, amounted to \$11,492,004 (net of accumulated depreciation). This investment in capital assets includes land, buildings and systems, improvements, machinery and equipment, and infrastructure. Capital assets for the City's governmental activities increased 109% due to the Main Street Reconstruction Project. Capital assets in the business-type activities decreased 1% on the current year.

Major capital asset events during the current fiscal year included the following:

- Main Street Reconstruction Project
- New Police Vehicle
- New Fine Screen for Sewer System

### City of Cedar Springs Capital Assets (net of depreciation)

	<b><u>Governmental activities</u></b>	<b><u>Business- type activities</u></b>	<b><u>Total</u></b>
Land	\$ 153,614	\$ -	\$ 153,614
Infrastructure	1,905,489		1,905,489
Buildings and system improvements	84,383	9,137,240	9,221,623
Vehicles and equipment	<u>211,278</u>	<u>-</u>	<u>211,228</u>
<b>Total</b>	<b><u>\$ 2,354,764</u></b>	<b><u>\$ 9,137,240</u></b>	<b><u>\$ 11,492,004</u></b>

Additional information on the City of Cedar Springs capital assets can be found in Note 3 on page 33 of this report.

**Long-term debt.** At the end of the current fiscal year, the City and its component units had total debt outstanding of \$6,726,338. Of this amount, \$4,102,000 was debt of business-type activities and \$2,489,338 was debt of governmental activities.

### General Obligation and Revenue Bonds

	<b><u>Governmental activities</u></b>	<b><u>Business-type activities</u></b>	<b><u>Total</u></b>
Accrued employee benefits	\$ 33,334	\$ -	\$ 33,334
Notes	16,004	-	16,004
Bonds	<u>2,440,000</u>	<u>4,102,000</u>	<u>6,542,000</u>
<b>Total</b>	<b><u>\$ 2,489,338</u></b>	<b><u>\$ 4,102,000</u></b>	<b><u>\$ 6,591,338</u></b>



The City's total debt decreased by \$133,546 (2 percent) during the current fiscal year.

The City is currently not rated for general obligation bond issuance.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation for the City is \$7,297,847, which is considerably in excess of the City's outstanding general obligation debt of \$2,456,004.

Additional information on the City's long-term debt can be found in Note 7 on pages 35-37 of this report.

### **Economic Factors and Next Year's Budgets and Rates**

The following factors were considered in preparing the City's budget for the 2004-05 fiscal year:

- Increased non-union employee wages cost of 1%.
- Increased health insurance cost of 25%.
- Increased property tax revenue of 4.3%.
- Decrease of approximately \$34,000 in state revenue sharing programs.

### **Requests for Information**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, 66 South Main Street, Cedar Springs, Michigan, 49319.

## **BASIC FINANCIAL STATEMENTS**

**CITY OF CEDAR SPRINGS**  
**STATEMENT OF NET ASSETS**

**JUNE 30, 2004**

	PRIMARY GOVERNMENT			COMPONENT UNITS	
	GOVERNMENTAL	BUSINESS-TYPE	TOTAL	DOWNTOWN	LOCAL
	ACTIVITIES	ACTIVITIES		DEVELOPMENT	FINANCE
				AUTHORITY	AUTHORITY
<b>Assets</b>					
Cash and cash equivalents	\$ 1,924,262	\$ 751,818	\$ 2,676,080	\$ 17,773	\$ 218,270
Accounts receivable	12,961	99,570	112,531	-	-
Special assessment receivable	89,599	-	89,599	-	-
Due from other governmental units	74,193	-	74,193	-	-
Prepaid items and other assets	12,563	2,770	15,333	-	-
Capital assets					
Land	153,614	-	153,614	35,901	-
Other capital assets - net of depreciation	2,201,150	9,137,240	11,338,390	-	-
Restricted investments	-	260,000	260,000	-	-
<b>Total assets</b>	<b>4,468,342</b>	<b>10,251,398</b>	<b>14,719,740</b>	<b>53,674</b>	<b>218,270</b>
<b>Liabilities</b>					
Accounts payable and accrued expenses	40,331	11,236	51,567	617	-
Accrued interest	35,554	79,655	115,209	1,570	-
Deferred revenue	3,675	-	3,675	-	-
Noncurrent liabilities:					
Due within one year	74,746	71,000	145,746	65,000	-
Due in more than one year	2,414,592	4,031,000	6,445,592	70,000	-
<b>Total liabilities</b>	<b>2,568,898</b>	<b>4,192,891</b>	<b>6,761,789</b>	<b>137,187</b>	<b>-</b>
<b>Net Assets</b>					
Invested in capital assets, net of related debt	(101,240)	5,035,240	4,934,000	(99,099)	-
Restricted for:					
Major Street	190,500	-	190,500	-	-
Local Street	291,850	-	291,850	-	-
Library	47,558	-	47,558	-	-
Sidewalk	16,340	-	16,340	-	-
Federal Community Development	86,808	-	86,808	-	-
Debt service	133,268	-	133,268	-	-
Perpetual care					
Nonexpendable	10,000		10,000	-	-
Expendable	121,175		121,175	-	-
Other purposes	15,000	-	15,000	-	-
Unrestricted	1,088,185	1,023,267	2,111,452	15,586	218,270
<b>Total net assets</b>	<b>\$ 1,899,444</b>	<b>\$ 6,058,507</b>	<b>\$ 7,957,951</b>	<b>\$ (83,513)</b>	<b>\$ 218,270</b>

The accompanying notes are an integral part of these financial statements.

**CITY OF CEDAR SPRINGS**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2004**

Functions / Programs	PROGRAM REVENUES				NET (EXPENSE REVENUE
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	
Primary government					
Governmental activities:					
General government	\$ 630,953	\$ 95,205	\$ -	\$ -	\$ (535,748)
Public safety	510,818	27,561	-	-	(483,257)
Public works	141,614	270,796	-	-	129,182
Highways and streets	144,854	-	-	-	(144,854)
Recreation and culture	245,709	28,424	60,758	18,632	(137,895)
Interest expense	99,216	-	-	-	(99,216)
Total governmental activities	1,773,164	421,986	60,758	18,632	(1,271,788)
Business-type activities:					
Water	325,019	297,143	-	-	(27,876)
Sewer	638,693	644,719	-	-	6,026
Total business-type activities	963,712	941,862	-	-	(21,850)
Total primary government	\$ 2,736,876	\$ 1,363,848	\$ 60,758	\$ 18,632	\$ (1,293,638)
Component Unit activities:					
Downtown Development Authority	\$ 31,084	\$ -	\$ -	\$ -	\$ (31,084)
Local Development Finance Authority	35,835	-	-	-	(35,835)
Total component units	\$ 66,919	\$ -	\$ -	\$ -	\$ (66,919)

(Continued)

The accompanying notes are an integral part of these financial statements.

**CITY OF CEDAR SPRINGS**  
**STATEMENT OF ACTIVITIES (CONCLUDED)**  
**FOR THE YEAR ENDED JUNE 30, 2004**

	PRIMARY GOVERNMENT			COMPONENT UNITS	
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	DOWNTOWN DEVELOPMENT AUTHORITY	LOCAL FINANCE DEVELOPMENT AUTHORITY
<b>Changes in net assets</b>					
Net (expense) revenue	\$ (1,271,788)	\$ (21,850)	\$ (1,293,638)	\$ (31,084)	\$ (35,835)
General revenues:					
Property taxes	1,049,264	-	1,049,264	93,498	35,736
State revenues	396,636	-	396,636	-	-
Interest and rental earnings	35,374	9,413	44,787	1,385	1,965
Transfers - internal activities	(53,415)	53,415	-	-	-
Total general revenues and transfers	1,427,859	62,828	1,490,687	94,883	37,701
Change in net assets	156,071	40,978	197,049	63,799	1,866
Net assets, beginning of year, as restated	1,743,373	6,017,529	7,760,902	(147,312)	216,404
Net assets, end of year	\$ 1,899,444	\$ 6,058,507	\$ 7,957,951	\$ (83,513)	\$ 218,270

(Concluded)

The accompanying notes are an integral part of these financial statements.

## CITY OF CEDAR SPRINGS

BALANCE SHEET  
GOVERNMENTAL FUNDS

JUNE 30, 2004

	GENERAL	WEST SIDE PAVING	MAIN STREET RECONSTRUCTION	OTHER GOVERNMENTAL FUNDS	TOTAL
<u>ASSETS</u>					
Cash and cash equivalents	\$ 426,010	\$ 385,615	\$ -	\$ 884,365	\$ 1,695,990
Receivables:					
Accounts	9,286	-	-	3,675	12,961
Special assessments	-	-	-	89,599	89,599
Due from other governmental units	57,712	-	-	16,481	74,193
Prepaid expenses	9,692	-	-	2,179	11,871
<u>TOTAL ASSETS</u>	<u>\$ 502,700</u>	<u>\$ 385,615</u>	<u>\$ -</u>	<u>\$ 996,299</u>	<u>\$ 1,884,614</u>
<u>LIABILITIES AND FUND EQUITY</u>					
LIABILITIES					
Accounts payable	\$ 34,188	\$ -	\$ -	\$ 5,526	\$ 39,714
Deferred revenue	-	-	-	93,274	93,274
<u>TOTAL LIABILITIES</u>	<u>34,188</u>	<u>-</u>	<u>-</u>	<u>98,800</u>	<u>132,988</u>
FUND EQUITY					
Fund balance:					
Reserved for christmas trees	15,000	-	-	-	15,000
Unreserved - undesignated	453,512	385,615	-	-	839,127
Undesignated, reported in nonmajor					
Special revenue funds	-	-	-	633,056	633,056
Permanent funds	-	-	-	131,175	131,175
Debt service funds	-	-	-	133,268	133,268
<u>TOTAL FUND EQUITY</u>	<u>468,512</u>	<u>385,615</u>	<u>-</u>	<u>897,499</u>	<u>1,751,626</u>
<u>TOTAL LIABILITIES AND FUND EQUITY</u>	<u>\$ 502,700</u>	<u>\$ 385,615</u>	<u>\$ -</u>	<u>\$ 996,299</u>	<u>\$ 1,884,614</u>

The accompanying notes are an integral part of these financial statements.

# CITY OF CEDAR SPRINGS

## RECONCILIATION OF THE FUND BALANCES ON THE BALANCE SHEET FOR GOVERNMENTAL FUNDS TO THE NET ASSETS OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET ASSETS

JUNE 30, 2004

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Fund balances- total governmental funds	\$ 1,751,626
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Amounts reported for governmental activities in the statement of net assets  
are different because:

Capital assets used in governmental activities are not financial resources and  
therefore are not reported in the funds.

Add- land	153,614
Add- capital assets net of depreciation	2,201,150

Certain liabilities, such as bond payable, are not due and payable in the  
current period and therefore are not reported in the funds.

Deduct- bonds payable	(2,456,004)
Deduct- accrued interest	(35,554)
Deduct- compensated absences	(33,334)

Internal service funds are used by management to charge the costs of certain activities,  
such as insurance and other centralized costs, to individual funds. The assets and  
liabilities of certain internal service funds are included in governmental activities

Add- Internal service fund net assets	312,007
Deduct- Capital assets accounted for in internal service funds, net of accumulated depreciation	(83,660)

Certain assets, such as special assessments receivable are not due and receivable in  
the current period and therefore are offset with deferred revenue in the fund statement

Add- deferred revenue for special assessments	89,599
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Net assets of governmental activities	<u>\$ 1,899,444</u>
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The accompanying notes are an integral part of these financial statements.

**CITY OF CEDAR SPRINGS**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**

**FOR THE YEAR ENDED JUNE 30, 2004**

	GENERAL	WEST SIDE PAVING	MAIN STREET RECONSTRUCTION	OTHER GOVERNMENTAL FUNDS	TOTAL
<b>REVENUES</b>					
Taxes	\$ 976,868	\$ -	\$ -	\$ 27,754	\$ 1,004,622
Special assessments	-	-	-	34,816	34,816
Licenses and permits	25,141	-	-	-	25,141
Intergovernmental revenue:					
Federal	4,627	-	-	-	4,627
State	383,560	-	-	-	383,560
Local	-	-	-	209,092	209,092
Charges for services	63,138	-	-	60,758	123,896
Fines and forfeits	11,303	-	-	-	11,303
Interest and rentals	20,640	941	6,966	6,827	28,374
Other	56,732	-	-	39,604	96,336
<b>TOTAL REVENUES</b>	<b>1,542,009</b>	<b>941</b>	<b>6,966</b>	<b>378,851</b>	<b>1,928,767</b>
<b>EXPENDITURES</b>					
<b>Current</b>					
General government	433,165	-	-	-	433,165
Public safety	579,392	-	-	-	579,392
Public works	53,877	-	-	-	53,877
Recreation and cultural	46,221	-	-	117,265	163,486
Other expenditures	200,077	-	-	129,823	329,900
Capital outlay	-	-	-	-	-
Debt service	-	-	1,227,062	-	1,227,062
Principal retirement	6,046	-	-	-	6,046
Interest and fiscal charges	673	-	-	55,000	55,673
<b>TOTAL EXPENDITURES</b>	<b>1,319,451</b>	<b>-</b>	<b>1,227,062</b>	<b>401,770</b>	<b>2,948,283</b>
<b>REVENUES OVER (UNDER) EXPENDITURES</b>	<b>222,558</b>	<b>941</b>	<b>(1,220,096)</b>	<b>(22,919)</b>	<b>(1,019,516)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	288,388	-	149,633	438,021
Transfers (out)	(128,433)	-	(326,803)	(36,200)	(491,436)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(128,433)</b>	<b>288,388</b>	<b>(326,803)</b>	<b>113,433</b>	<b>(53,415)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>94,125</b>	<b>289,329</b>	<b>(1,546,899)</b>	<b>90,514</b>	<b>(1,072,931)</b>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<b>374,387</b>	<b>96,286</b>	<b>1,546,899</b>	<b>806,985</b>	<b>2,824,557</b>
<b>FUND BALANCES, END OF YEAR</b>	<b>\$ 468,512</b>	<b>\$ 385,615</b>	<b>\$ -</b>	<b>\$ 897,499</b>	<b>\$ 1,751,626</b>

The accompanying notes are an integral part of these financial statements.



# CITY OF CEDAR SPRINGS

## RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2004

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Net change in fund balances - total governmental funds	\$ (1,072,931)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Add - capital outlay	1,274,291
Deduct - depreciation expense	(89,385)
Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	
Add - principal payments on long-term debt	61,046
An internal service fund is used by management to charge the costs of certain services to individual governmental funds. The net revenue (expense) of the fund attributable to those funds is reported with governmental activities.	
Add - net income from internal service funds	14,608
Special assessments receivable are long-term in nature and are collectable over several years. However, the current receipts are reflected as revenues on the fund statements	
Add - decrease in special assessment	(28,275)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.	
Add - decrease in accrued interest	1,139
Deduct - increase in the accrual for compensated absences	(4,422)
Change in net assets of governmental activities	<u>\$ 156,071</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF CEDAR SPRINGS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**GENERAL FUND**

**FOR THE YEAR ENDED JUNE 30, 2004**

	GENERAL FUND			VARIANCE POSITIVE (NEGATIVE)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
REVENUES				
Taxes	\$ 924,500	\$ 964,240	\$ 976,868	\$ 12,628
Licenses and permits	25,000	25,000	25,141	141
Intergovernmental revenue:				
Federal	-	4,666	4,627	(39)
State	343,000	329,000	383,560	54,560
Charges for services	61,500	68,500	63,138	(5,362)
Fines and forfeits	14,000	14,000	11,303	(2,697)
Interest and rentals	34,000	19,000	20,640	1,640
Other	37,075	63,075	56,732	(6,343)
TOTAL REVENUES	1,439,075	1,487,481	1,542,009	54,528
EXPENDITURES				
Current				
General government	414,950	447,635	433,165	14,470
Public safety	582,800	601,608	579,392	22,216
Public works	56,800	54,800	53,877	923
Recreation and cultural	33,125	48,425	46,221	2,204
Other expenditures	225,100	203,100	200,077	3,023
Debt service:				
Principal retirement	6,100	6,100	6,046	54
Interest and fiscal charges	700	700	673	27
TOTAL EXPENDITURES	1,319,575	1,362,368	1,319,451	42,917
REVENUES OVER(UNDER) EXPENDITURES	119,500	125,113	222,558	97,445
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers (out)	(129,000)	(129,000)	(128,433)	567
TOTAL OTHER FINANCING SOURCES (USES)	(129,000)	(129,000)	(128,433)	567
NET CHANGE IN FUND BALANCE	(9,500)	(3,887)	94,125	98,012
FUND BALANCES, BEGINNING OF YEAR	374,387	374,387	374,387	-
FUND BALANCES, END OF YEAR	\$ 364,887	\$ 370,500	\$ 468,512	\$ 98,012

The accompanying notes are an integral part of these financial statements.

**CITY OF CEDAR SPRINGS**  
**PROPRIETARY FUNDS**  
**STATEMENT OF NET ASSETS**

**JUNE 30, 2004**

	<u>BUSINESS TYPE ACTIVITIES</u> <u>ENTERPRISE FUNDS</u>			<u>GOVERNMENTAL</u> <u>ACTIVITIES</u> <u>INTERNAL</u> <u>SERVICE</u> <u>FUND</u>
	<u>SEWER</u>	<u>WATER</u>	<u>TOTAL</u>	
<b>ASSETS</b>				
CURRENT ASSETS				
Cash and cash equivalents	\$ 321,847	\$ 429,971	\$ 751,818	\$ 228,272
Accounts receivable	71,116	28,454	99,570	-
Prepaid expenses	1,108	1,662	2,770	692
TOTAL CURRENT ASSETS	394,071	460,087	854,158	228,964
RESTRICTED ASSETS				
Investments	200,000	60,000	260,000	-
CAPITAL ASSETS				
(Net of accumulated depreciation)	8,267,795	869,445	9,137,240	83,660
TOTAL ASSETS	8,861,866	1,389,532	10,251,398	312,624
<b>LIABILITIES</b>				
CURRENT LIABILITIES				
Accounts payable	6,813	4,423	11,236	617
CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS				
Accrued interest	50,655	29,000	79,655	-
Current maturity of bond payable	46,000	25,000	71,000	-
TOTAL CURRENT LIABILITIES PAYABLE FROM RESTRICTED ASSETS	96,655	54,000	150,655	-
LONG-TERM LIABILITIES				
Long-term debt - Net of current portion	3,331,000	700,000	4,031,000	-
TOTAL LIABILITIES	3,434,468	758,423	4,192,891	617
Net Assets				
Invested in capital assets, net of related debt	4,890,795	144,445	5,035,240	83,660
Restricted for debt service	103,345	-	103,345	-
Unrestricted	433,258	486,664	919,922	228,347
TOTAL NET ASSETS	\$ 5,427,398	\$ 631,109	\$ 6,058,507	\$ 312,007

The accompanying notes are an integral part of these financial statements.

**CITY OF CEDAR SPRINGS**  
**PROPRIETARY FUNDS**  
**STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN FUND NET ASSETS**  
**FOR THE YEAR ENDED JUNE 30, 2004**

	BUSINESS TYPE ACTIVITIES ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUND
	SEWER	WATER	TOTAL	
OPERATING REVENUES				
Charges for services	\$ 644,719	\$ 297,143	\$ 941,862	\$ 101,658
OPERATING EXPENSES				
Personal services	56,361	85,025	141,386	24,115
Benefits	18,944	28,909	47,853	13,827
Professional and contractual services	133,179	26,926	160,105	694
Materials and supplies	5,707	25,886	31,593	6,040
Telephone	4,366	-	4,366	-
Utilities	71,034	15,968	87,002	246
Insurance and bonds	9,556	1,897	11,453	4,230
Repairs and maintenance	69,155	25,549	94,704	9,769
Rent	-	3,000	3,000	5,000
Equipment rental	3,022	17,924	20,946	-
Depreciation	128,881	28,005	156,886	24,501
Miscellaneous	1,837	1,292	3,129	322
TOTAL OPERATING EXPENSES	502,042	260,381	762,423	88,744
OPERATING INCOME (LOSS)	142,677	36,762	179,439	12,914
NONOPERATING REVENUES (EXPENSES)				
Interest	4,811	4,602	9,413	1,694
Interest and fiscal charges	(136,651)	(64,638)	(201,289)	-
Transfers in	27,229	51,186	78,415	-
Transfers out	-	(25,000)	(25,000)	-
TOTAL NONOPERATING REVENUES (EXPENSES)	(104,611)	(33,850)	(138,461)	1,694
CHANGE IN NET ASSETS	38,066	2,912	40,978	14,608
NET ASSETS, BEGINNING OF YEAR	5,389,332	628,197	6,017,529	297,399
NET ASSETS, END OF YEAR	\$5,427,398	\$ 631,109	\$6,058,507	\$ 312,007

The accompanying notes are an integral part of these financial statements.

**CITY OF CEDAR SPRINGS**  
**PROPRIETARY FUNDS**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2004**

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS			GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUND
	SEWER	WATER	TOTAL	
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 648,748	\$ 293,199	\$ 941,947	\$ -
Internal charges	-	-	-	101,658
Cash payments to suppliers for goods and services	(309,433)	(121,838)	(431,271)	(26,770)
Cash payments to employees for services	(75,305)	(113,934)	(189,239)	(37,942)
NET CASH PROVIDED BY OPERATING ACTIVITIES	264,010	57,427	321,437	36,946
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Transfers out	-	(25,000)	(25,000)	-
Transfers in	27,229	51,186	78,415	-
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	27,229	26,186	53,415	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of property, plant and equipment	(52,400)	-	(52,400)	-
Principal paid on long-term debt	(44,000)	(25,000)	(69,000)	-
Interest and fiscal charges	(153,945)	(35,638)	(189,583)	-
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	(250,345)	(60,638)	(310,983)	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments	-	(60,000)	(60,000)	-
Interest income	4,811	4,602	9,413	1,694
NET CASH PROVIDED BY (USED IN) INVESTING	4,811	(55,398)	(50,587)	1,694
NET INCREASE IN CASH AND CASH EQUIVALENTS	45,705	(32,423)	13,282	38,640
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	276,142	462,394	738,536	189,632
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 321,847	\$ 429,971	\$ 751,818	\$ 228,272
CASH FLOWS FROM OPERATING ACTIVITIES				
Operating income (loss)	\$ 142,677	\$ 36,762	\$ 179,439	\$ 12,914
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	128,881	28,005	156,886	24,501
Changes in operating assets and liabilities which provided (used) cash:				
Accounts receivable	4,029	(3,944)	85	-
Prepaid expenses	(1,108)	(1,662)	(2,770)	(692)
Accounts payable	(10,469)	(1,734)	(12,203)	223
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 264,010	\$ 57,427	\$ 321,437	\$ 36,946

The accompanying notes are an integral part of these financial statements.

**CITY OF CEDAR SPRINGS**

**FIDUCIARY FUNDS  
STATEMENT OF NET ASSETS**

**JUNE 30, 2004**

**AGENCY  
FUNDS**

**ASSETS**

Cash and cash equivalents

**\$ 2,611**

**LIABILITIES AND FUND BALANCES**

**LIABILITIES**

Accounts payable

**\$ 2,611**

The accompanying notes are an integral part of these financial statements.

**NOTES TO FINANCIAL STATEMENTS**

**CITY OF CEDAR SPRINGS**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2004**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Cedar Springs (the "City") was incorporated June 30, 1954 under the provisions of Act 279, P.A. 1909, as amended (Home Rule City Act). The City operates under a Council-Manager form of government and provides the following services as authorized by its charter: Public safety (police and fire), highways and streets, sanitation, health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services.

The accounting policies of the City conform to generally accepted accounting principles. The following is a summary of the more significant policies:

***The Reporting Entity***

As required by generally accepted accounting principles, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City's operations, so data from these units are combined with data of the primary government. The City has no blended component units. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the City.

***Discretely Presented Component Units***

Downtown Development Authority – The members of the governing board of the Downtown Development Authority are appointed by the City Council. The budgets and expenditures of the Downtown Development Authority must be approved by the City Council. The City also has the ability to significantly influence operations of the Downtown Development Authority.

Local Development Finance Authority– The members of the governing board of the Local Development Finance Authority are appointed by the City Council. The budgets and expenditures of the Local Development Finance Authority must be approved by the City Council. The City also has the ability to significantly influence operations of the Local Development Finance Authority.

Complete financial statements for the component units are not separately prepared.

***Government-wide and Fund Financial Statements***

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.



**CITY OF CEDAR SPRINGS**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2004**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Government-wide and Fund Financial Statements (Continued)***

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

***Measurement Focus, Basis of Accounting, and Financial Statement Presentation***

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. After March 1 of each year, the delinquent real property taxes are paid by the City to other units of government and the County is responsible for collecting any outstanding real property taxes as of that date. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service and accrued employee benefit expenditures are recorded only when payment is due.

**CITY OF CEDAR SPRINGS**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2004**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Property taxes, intergovernmental revenue, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *West Side Paving Fund* is the capital projects fund used to account for the financial resources and activities relating to that specific construction project.

The *Main Street Reconstruction Fund* is the capital projects fund used to account for the financial resources and activities relating to that specific construction project.

The City reports the following major proprietary funds:

*Sewer Fund* – This fund is used to account for the cost of collecting and treating wastewater. Revenues are chiefly from service charges to customers. These revenues are also used to pay principal and interest on revenue bonds and general obligation bonds which were used to finance improvements to the system.

*Water Fund* – The cost of providing water services to City residents is accounted for by this fund. Revenues are primarily from charges to customers for water usage. These revenues are used to pay operating costs and principal and interest on revenue bonds and general obligation bonds which were used to finance improvements to the system.

Additionally, the City reports the following fund types:

*Special Revenue Funds* are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

The *Debt Service Fund* accounts for the resources accumulated and payments made for principal, interest, and related costs on long-term debt of governmental funds. The City maintains one Debt Service Fund.

The *Internal Service Fund* is used to record the financing of goods or services by the City to other departments and funds or to other governmental units on a cost reimbursement basis. The City maintains one Internal Service Fund which is the Motor Vehicle Equipment Fund.

The *Permanent Fund* is used to record the activity of legal trusts for which the interest on the corpus provides funds for City cemetery operations.

*Agency Funds* are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds.

**CITY OF CEDAR SPRINGS**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2004**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges for services. Operating expenses for the enterprise funds include depreciation on capital assets, labor, supplies and contracted services. All revenues and expenses are not meeting this definition are reported as nonoperating revenues and expenses.

***Budgets and Budgetary Accounting***

Budgets are adopted for general and special revenue funds on a basis consistent with generally accepted accounting principles (GAAP). The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through passage of a resolution.
4. Formal budgetary integration is employed as a management control device during the year for all funds except Agency Funds.
5. Adoption and amendments of all budgets used by the City are governed by Public Act 621, which was followed for the year ended June 30, 2004. Expenditures may not exceed appropriations. The appropriations resolutions are based on the projected expenditures budget of the department heads of the City. Any amendment to the original budget must meet the requirements of Public Act 621. Any revisions that alter the total expenditures of any fund must be approved by the City Council.

**CITY OF CEDAR SPRINGS**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2004**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Budgets and Budgetary Accounting (Continued)***

6. Budgets for expenditures are adopted at the functional level.
7. Budgeted amounts are as originally adopted, or as amended by the City Council.

***Cash and Cash Equivalents***

For purposes of the statement of cash flows, the City considers all highly liquid investments with an original maturity of three months or less to be cash and temporary investments.

***Investments***

Investments are stated at fair value.

***Receivables***

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

***Deferred Revenue***

The City reports deferred revenue when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period.

***Restricted Assets***

Certain resources set aside for the repayment of the City's enterprise fund revenue bonds, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

***Capital Assets***

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. The amount reported for infrastructure includes only assets added in 2003.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

**CITY OF CEDAR SPRINGS**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2004**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

No interest expense has been incurred or capitalized on capital assets reported in proprietary funds.

Depreciation on capital assets (including infrastructure) of the primary government, as well as the component units, is computed using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Land improvements	25
Buildings	25 - 30
Office furniture and equipment	5 - 20
Vehicles	3 - 10
Public domain infrastructure	50
System infrastructure	30

***Long-term Obligations***

In the government-wide financial statements and proprietary fund types in the fund financial statements, the long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. For new bond issuances of governmental funds after the implementation of GASB Statement No. 34 and all proprietary fund bond issues, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognized bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

***Property Taxes***

City property taxes are attached as an enforceable lien on property as of July 1st. Taxes are levied July 1 and are due without penalty on or before September 14. These summer tax bills include the City's own property taxes and taxes billed on behalf of other districts within the City limits. Real property taxes not collected are returned to the County for collection, which advances the City 100% for the delinquent real property taxes. Collection of delinquent personal property taxes remains the responsibility of the City Treasurer.

***Fund Equity***

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

**CITY OF CEDAR SPRINGS**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2004**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Accrued Vacation and Sick Leave***

Under contracts negotiated with employee groups, individual employees have a vested right to receive payments for unused vacation benefits under formulas and conditions specified in the contracts.

Vacation leave earned as of June 30, 2004, is recorded in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

***Special Assessments***

Special assessments in governmental funds are recorded as revenues when due, not when levied. Estimated annual installments not yet available are reflected as deferred revenue.

***Interfund Transactions***

During the course of normal operations, the City has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers. Operating subsidies are also recorded as transfers. The amounts recorded as subsidies, advances, or equity contributions are determined by the City.

***Risk Management***

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2004, the City carried commercial insurance to cover all risks of losses. The City has had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years. There was no significant change in coverage during the year.

**CITY OF CEDAR SPRINGS**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2004**

**2. DEPOSITS AND INVESTMENTS**

The captions on the government-wide and fund statements relating to cash and cash equivalents and investments are as follows:

Deposits:

	<u>Primary Government</u>	<u>Component Units</u>	<u>Agency Funds</u>	<u>Total</u>
Cash and cash equivalents	\$2,736,080	\$236,043	\$2,611	\$2,974,734
Restricted investments	200,000	-	-	200,000
<b>Total cash and investments</b>	<b><u>\$2,936,080</u></b>	<b><u>\$236,043</u></b>	<b><u>\$2,611</u></b>	<b><u>\$3,174,734</u></b>

The carrying amount of deposits at June 30, 2004, consisted of \$911,229 of cash and cash equivalents and \$2,263,505 of certificates of deposit; the bank balance of these deposits was as follows:

	<u>Bank Balance</u>
Insured (FDIC)	\$206,185
Uninsured, uncollateralized	3,038,218
<b>Total</b>	<b><u>\$3,244,403</u></b>

These deposits are in two (2) financial institutions located in Michigan in varying amounts. State policy limits the Treasurer's investing options to financial institutions located in Michigan. All accounts are in the name of the City and a specific fund or common account. Deposits and investments are recorded in City records at fair value.

***Statutory Authority***

Act 217, PA 1982, authorizes the City to deposit and invest in:

- a. Bonds and other direct obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d. Bankers acceptances of United States banks.
- e. Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- f. Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- g. External investment pools as authorized by Public Act 20 as amended through 12/31/97.

**CITY OF CEDAR SPRINGS**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2004**

**3. CAPITAL ASSETS**

Changes in capital assets for the year ending June 30, 2004, are as follows:

	<u>Balance July 1, 2003</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Balance June 30, 2004</u>
<b>Governmental activities</b>				
Capital assets, not being depreciated:				
Land	\$ 127,114	\$ 26,500	\$ -	\$ 153,614
Capital assets, being depreciated:				
Infrastructure	727,286	1,227,062	-	1,954,348
Buildings and improvements	400,786	-	-	400,786
Vehicles and equipment	762,439	20,729	-	783,168
	<u>1,890,511</u>	<u>1,247,791</u>	<u>-</u>	<u>3,138,302</u>
Less accumulated depreciation for:				
Infrastructure	-	48,859	-	48,859
Buildings	312,001	4,402	-	316,403
Vehicles and equipment	511,265	60,625	-	571,890
Total accumulated depreciation	<u>823,266</u>	<u>113,886</u>	<u>-</u>	<u>937,152</u>
Net capital assets, being depreciated	<u>1,067,245</u>	<u>1,133,905</u>	<u>-</u>	<u>2,201,150</u>
<b>Net governmental activities capital assets</b>	<u>\$1,194,359</u>	<u>\$1,160,405</u>	<u>\$ -</u>	<u>\$ 2,354,764</u>
<b>Business-type activities</b>				
Capital assets being depreciated:				
Water system	\$1,276,689	\$ -	\$ -	\$1,276,689
Sewer system	9,216,922	52,400	-	9,269,322
Accumulated depreciation	(1,251,885)	(156,886)	-	(1,408,771)
<b>Net business-type activities capital assets</b>	<u>\$9,241,726</u>	<u>\$ (104,486)</u>	<u>\$ -</u>	<u>\$9,137,240</u>
<b>Component unit</b>				
Land	\$ 35,901	\$ -	\$ -	\$ 35,901

Depreciation expense was charged to functions/programs of the primary government as follows:

<b>Governmental activities:</b>	
General government	\$ 17,801
Public safety	17,802
Public works	10,680
Streets	28,862
Recreation and cultural	14,240
Internal service fund assets	24,501
Total depreciation expense – governmental activities	<u>\$113,886</u>
<b>Business-type activities:</b>	
Sewer	\$128,881
Water	28,005
Total depreciation expense – business type activities	<u>\$156,886</u>



**CITY OF CEDAR SPRINGS**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2004**

**4. INTERFUND TRANSFERS**

The composition of transfers for the year ended June 30, 2004, is as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental activities:		
General Fund	\$ -	\$128,433
West Side Paving	288,388	-
Main Street Reconstruction	-	326,803
Nonmajor governmental funds	149,633	36,200
Business-type activities:		
Sewer	27,229	-
Water	51,186	25,000
<b>Total</b>	<u><b>\$516,436</b></u>	<u><b>\$516,436</b></u>

Transfers are used to: (1) move unrestricted revenues collected in the General Fund and other funds to finance various programs accounted for in other funds in accordance with budgetary authorizations and (2) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them.

**5. DEFINED BENEFIT PENSION PLAN**

***Municipal Employees Retirement System of Michigan***

The City participates in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer defined benefit pension plan providing retirement, death and disability benefits covering full-time City employees. The System is administered by the MERS retirement board. The MERS Retirement Board establishes and amends the benefit provisions of the participants in MERS. A publicly available financial report that includes financial statements and required supplementary information for MERS may be obtained by writing to the Municipal Employees Retirement System of Michigan, 447 North Canal Road, Lansing, Michigan 48917 or by calling (800) 767-6377.

The City is required to contribute at an actuarially determined rate; the current rate is 5% of annual covered payroll. The contribution requirements of the City are established and may be amended by the MERS Retirement Board. The contribution requirements of plan members are established and may be amended by the City depending on the MERS contribution program adoption by the City.

For the year ended June 30, 2004 the City's annual pension cost for MERS of \$24,812 was equal to the City's required and actual contributions. The required contribution was determined as part of the December 31, 2003 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included: (a) a rate of return on the investment of present and future assets of 8.0%; (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation; and (c) additional projected salary increases of 0.0% to 4.16% per year, depending on age, attributable to seniority/merit. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return, and includes an adjustment of 20% of the difference between assumed earnings and market value (5 year seniority) to reflect fair value. The City's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2003, the date of the latest actuarial valuation, was 30 years.

**CITY OF CEDAR SPRINGS**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2004**

**5. DEFINED BENEFIT PENSION PLAN (CONTINUED)**

**Three-Year Trend Information**

<u>Year Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2002			
2003	\$21,119	100%	\$ -
2004	29,029	100%	-
	24,812	100%	-

**Schedule of Funding Progress**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio Total</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
12/31/01	\$1,646,173	\$1,663,372	\$ 17,199	99%		
12/31/02	1,654,508	1,751,355	96,847	94%	\$573,300	3%
12/31/03	1,701,253	1,831,688	130,435	93%	461,176	21%
					483,093	27%

**6. DEFERRED COMPENSATION PLAN**

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. All assets of the plan are held in trust for employees and the related assets and liabilities are not included in this report.

**7. LONG-TERM DEBT**

The following is a summary of debt transactions of the City for the year ended June 30, 2004:

	<u>Balance July 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2004</u>	<u>Due Within One Year</u>
<b>Governmental activities</b>					
General Obligation Debt:					
\$460,000 Special Assessment Bonds and \$325,000 General Obligation Limited Tax Street Improvement Bonds, Series 1997. Bonds due in annual installments of \$40,000 to \$60,000 through October 1, 2011; interest at 5-7%.	\$ 510,000	-	\$ 50,000	\$ 460,000	\$ 55,000

**CITY OF CEDAR SPRINGS**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2004**

**7. LONG-TERM DEBT (CONTINUED)**

	<u>Balance July 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2004</u>	<u>Due Within One Year</u>
<b>Governmental activities (Continued)</b>					
\$1,985,000 General Obligation Improvement Bonds, Series 2003. Bonds due in annual installments of \$5,000 to \$210,000 through April 1, 2023; interest at 2 – 4.4%.	\$1,985,000	\$ -	\$ 5,000	\$1,980,000	\$10,000
\$25,000 Installment Purchase Agreement Bonds due in annual installments of \$2,951 to \$8,853 through August 26, 2006; interest at 4.8%.	22,050	-	6,046	16,004	6,246
Accrued employee benefits	28,912	7,922	3,500	33,334	3,500
<b>Total governmental activities</b>	<u>2,545,962</u>	<u>7,922</u>	<u>64,546</u>	<u>2,489,338</u>	<u>74,746</u>
<b>Business-type activities</b>					
\$3,000,000 Sanitary Sewer System Construction Revenue Bonds, Series 1996A. Bonds due in annual installments of \$28,000 to \$158,000 through March 1, 2037 interest at 4.5%.	2,813,000	-	36,000	2,777,000	38,000
\$650,000 Sanitary Sewer System Revenue Bonds, Series 1996B. Bonds due in annual installments of \$6,000 to \$33,000 through March 1, 2037; interest at 4.5%.	608,000	-	8,000	600,000	8,000
\$750,000 Water Supply System Revenue Bonds, Series 2002. Bonds due in annual installments of \$25,000 to \$60,000 through September 1, 2022; interest at 4.5-4.8%.	750,000	-	25,000	725,000	25,000
<b>Total business-type activities</b>	<u>4,171,000</u>	<u>-</u>	<u>69,000</u>	<u>4,102,000</u>	<u>71,000</u>

**CITY OF CEDAR SPRINGS**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2004**

**7. LONG-TERM DEBT (CONTINUED)**

	<u>Balance July 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2004</u>	<u>Due Within One Year</u>
<b>Component Unit</b>					
\$450,000 General Obligation Limited Tax Streetscape Development Bonds, Series 1997. Bonds due in annual installments of \$25,000 to \$70,000 through April 1, 2006; interest at 4.0-4.7%.	<u>\$ 200,000</u>	<u>\$ -</u>	<u>\$ 65,000</u>	<u>\$ 135,000</u>	<u>\$ 65,000</u>
<b>Total long-term debt – reporting entity</b>	<u><b>\$6,916,962</b></u>	<u><b>\$ 7,922</b></u>	<u><b>\$198,546</b></u>	<u><b>\$6,726,338</b></u>	<u><b>\$210,746</b></u>

The annual requirements, excluding accrued employee benefits, to maturity on the total long-term obligations outstanding at June 30, 2004 are as follows:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Component Unit</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 71,246	\$ 99,083	\$ 71,000	\$ 186,766	\$ 65,000	\$6,280
2006	76,453	96,133	74,000	183,496	70,000	3,290
2007	103,305	93,026	76,000	180,090	-	-
2008	105,000	89,221	82,000	176,596	-	-
2009	115,000	84,903	86,000	172,816	-	-
2010-2014	580,000	353,163	481,000	802,022	-	-
2015-2019	655,000	246,350	604,000	680,254	-	-
2020-2024	750,000	84,750	706,000	527,270	-	-
2025-2029	-	-	613,000	379,762	-	-
2029-2034	-	-	763,000	228,964	-	-
2035-2037	-	-	546,000	49,908	-	-
	<u><b>\$2,456,004</b></u>	<u><b>\$1,146,626</b></u>	<u><b>\$4,102,000</b></u>	<u><b>\$3,567,944</b></u>	<u><b>\$135,000</b></u>	<u><b>\$9,570</b></u>

**8. LITIGATION**

In the normal course of its activities, the City has become a party in various legal actions, including property tax assessment appeals. Management of the City is of the opinion that the outcome of such actions will not have a material effect on the financial position of the City and, therefore, has not reflected loss reserves in the financial statements.

**CITY OF CEDAR SPRINGS**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2004**

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**9. RESTATEMENTS**

As of and for the year ended June 30, 2004, the City implemented the following Governmental Accounting Standards Board pronouncements:

***Statements***

- No. 34 – *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*
- No. 37 – *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus*
- No. 38 – *Certain Financial Statement Note Disclosures*

***Interpretation***

- No. 6 – *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*

The above pronouncements are all related to the new financial reporting requirements for all state and local governments. These pronouncements are scheduled for a phased implementation (based on the size of the government) through fiscal years ending in 2005. The City is required to implement the new requirements no later than the fiscal year ending June 30, 2004.

The more significant of the changes required by the new standards are basic financial statements that include:

- Government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting;
- Fund financial statements, consisting of a series of statements that focus on a government’s major governmental funds and enterprise funds;
- Schedules to reconcile the fund financial statements to the government-wide financial statements;
- Budgetary statements and schedules;
- Notes to the basic financial statements

**CITY OF CEDAR SPRINGS**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2004**

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**9. RESTATEMENTS (CONTINUED)**

As a result of implementing these pronouncements for the fiscal year ended June 30, 2004 the following restatements were made to beginning net asset accounts.

*Government-wide financial statements*

Beginning net assets for governmental activities was determined as follows:

Fund balance of governmental funds as of June 30, 2003	\$2,697,233
Add: Governmental capital assets, including general fixed assets	1,086,198
Add: Internal Service Fund Net Assets	297,399
Add: Special Assessment Receivable	117,874
Less: Accrued debt, interest, and compensated absences	(2,582,655)
Add: Trust funds reclassified as permanent funds	<u>127,324</u>
<b>Net assets, July 1, 2003</b>	<b><u>\$1,743,373</u></b>

Beginning net assets for the Downtown Development Authority was determined as follows:

Fund balance of Downtown Development Authority as of June 30, 2003	\$54,989
Less: Accrued debt and interest	<u>(202,301)</u>
<b>Net assets (deficit), July 1, 2003</b>	<b><u>\$(147,312)</u></b>

**10. CLEO COWLES TRUST**

The Library benefits from a trust established by Cleo Cowles. The Library has no control over the principal of this trust and is entitled only to the income to be used for general operation of the Library Special Revenue Fund. This trust is administered by the City and has a principal balance of \$10,000 (at cost).

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**COMBINING AND INDIVIDUAL FUND  
STATEMENTS AND SCHEDULES**

**NONMAJOR GOVERNMENTAL FUNDS**



**CITY OF CEDAR SPRINGS**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEET**

**JUNE 30, 2004**

<u>ASSETS</u>	<u>SPECIAL REVENUE</u>					<u>PERMANENT</u>		<u>TOTAL</u>
	<u>MAJOR STREET</u>	<u>LOCAL STREET</u>	<u>LIBRARY</u>	<u>SIDEWALK</u>	<u>FEDERAL COMMUNITY DEVELOPMENT</u>	<u>DEBT SERVICE</u>	<u>CEMETERY TRUST</u>	
Cash and cash equivalents	\$ 179,385	\$ 288,007	\$ 48,919	\$ 16,340	\$ 86,808	\$ 133,731	\$ 131,175	\$ 884,365
Accounts receivable	-	-	-	-	3,675	-	-	3,675
Special assessments recievable	-	-	-	7,348	-	82,251	-	89,599
Prepaid expenses	415	277	1,487	-	-	-	-	2,179
Due from other governmental units	11,898	4,583	-	-	-	-	-	16,481
<b><u>TOTAL ASSETS</u></b>	<b><u>\$ 191,698</u></b>	<b><u>\$ 292,867</u></b>	<b><u>\$ 50,406</u></b>	<b><u>\$ 23,688</u></b>	<b><u>\$ 90,483</u></b>	<b><u>\$ 215,982</u></b>	<b><u>\$ 131,175</u></b>	<b><u>\$ 996,299</u></b>
 <u>LIABILITIES AND FUND BALANCES</u>								
<b>LIABILITIES</b>								
Accounts payable	\$ 1,198	\$ 1,017	\$ 2,848	\$ -	\$ -	\$ 463	\$ -	\$ 5,526
Deferred revenue	-	-	-	7,348	3,675	82,251	-	93,274
<b>TOTAL LIABILITIES</b>	<b>1,198</b>	<b>1,017</b>	<b>2,848</b>	<b>7,348</b>	<b>3,675</b>	<b>82,714</b>	<b>-</b>	<b>98,800</b>
<b>FUND BALANCES</b>								
Unreserved - undesignated	190,500	291,850	47,558	16,340	86,808	133,268	131,175	897,499
<b><u>TOTAL LIABILITIES AND FUND BALANCES</u></b>	<b><u>\$ 191,698</u></b>	<b><u>\$ 292,867</u></b>	<b><u>\$ 50,406</u></b>	<b><u>\$ 23,688</u></b>	<b><u>\$ 90,483</u></b>	<b><u>\$ 215,982</u></b>	<b><u>\$ 131,175</u></b>	<b><u>\$ 996,299</u></b>

**CITY OF CEDAR SPRINGS**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2004**

	SPECIAL REVENUE						PERMANENT	TOTAL
	MAJOR STREET	LOCAL STREET	LIBRARY	SIDEWALK	FEDERAL COMMUNITY DEVELOPMENT	DEBT SERVICE	CEMETERY TRUST	
REVENUES								
Property taxes	\$ -	\$ -	\$ 27,754	\$ -	\$ -	\$ -	\$ -	\$ 27,754
Intergovernmental Revenue:								
State	144,930	55,713	8,165	-	284	-	-	209,092
Local	-	-	60,758	-	-	-	-	60,758
Special Assessments	-	-	-	3,417	-	31,399	-	34,816
Other	-	-	35,753	-	-	-	3,851	39,604
Interest	1,529	1,955	370	-	841	859	1,273	6,827
TOTAL REVENUES	146,459	57,668	132,800	3,417	1,125	32,258	5,124	378,851
EXPENDITURES								
Current debt service								
Public works	64,056	51,936	-	-	-	-	1,273	117,265
Recreation and cultural	-	-	129,823	-	-	-	-	129,823
Principal	-	-	-	-	-	55,000	-	55,000
Interest	-	-	-	-	-	99,682	-	99,682
TOTAL EXPENDITURES	64,056	51,936	129,823	-	-	154,682	1,273	401,770
REVENUES OVER (UNDER) EXPENDITURES	82,403	5,732	2,977	3,417	1,125	(122,424)	3,851	(22,919)
OTHER FINANCING SOURCES (USES)								
Transfers in	-	36,200	-	-	-	113,433	-	149,633
Transfers (out)	(36,200)	-	-	-	-	-	-	(36,200)
TOTAL OTHER FINANCING SOURCES (USES)	(36,200)	36,200	-	-	-	113,433	-	113,433
NET CHANGE IN FUND BALANCES	46,203	41,932	2,977	3,417	1,125	(8,991)	3,851	90,514
FUND BALANCES, BEGINNING OF YEAR	144,297	249,918	44,581	12,923	85,683	142,259	127,324	806,985
FUND BALANCES, END OF YEAR	\$ 190,500	\$ 291,850	\$ 47,558	\$ 16,340	\$ 86,808	\$ 133,268	\$ 131,175	\$ 897,499

# CITY OF CEDAR SPRINGS

## MAJOR STREET FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2004

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES				
Intergovernmental revenue:				
State	\$ 125,000	\$ 146,000	\$ 144,930	\$ (1,070)
Interest	4,000	1,000	1,529	529
TOTAL REVENUES	129,000	147,000	146,459	(541)
EXPENDITURES				
Highways and Streets:				
Routine maintenance	28,400	28,400	20,790	7,610
Traffic service	8,000	6,500	2,612	3,888
Winter maintenance	18,900	25,900	23,243	2,657
Construction	71,000	70,000	196	69,804
Administrative	17,700	21,400	17,215	4,185
TOTAL EXPENDITURES	144,000	152,200	64,056	88,144
REVENUES OVER EXPENDITURES	(15,000)	(5,200)	82,403	87,603
OTHER FINANCING SOURCES (USES)				
Transfers (out)	(30,000)	(40,000)	(36,200)	3,800
NET CHANGE IN FUND BALANCE	(45,000)	(45,200)	46,203	91,403
FUND BALANCE, BEGINNING OF YEAR	144,297	144,297	144,297	-
FUND BALANCE, END OF YEAR	\$ 99,297	\$ 99,097	\$ 190,500	\$ 91,403

# CITY OF CEDAR SPRINGS

## LOCAL STREET FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2004

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
REVENUES				
Intergovernmental revenue:				
State	\$ 45,500	\$ 55,500	\$ 55,713	\$ 213
Interest	2,500	2,500	1,955	(545)
TOTAL REVENUES	48,000	58,000	57,668	(332)
EXPENDITURES				
Highways and Streets:				
Construction	25,900	25,900	-	25,900
Routine maintenance	22,500	22,500	24,006	(1,506)
Traffic service	4,300	4,300	2,882	1,418
Winter maintenance	11,800	14,800	14,120	680
Administrative	13,500	14,000	10,928	3,072
TOTAL EXPENDITURES	78,000	81,500	51,936	29,564
REVENUES OVER(UNDER) EXPENDITURES	(30,000)	(23,500)	5,732	29,232
OTHER FINANCING SOURCES				
Transfers in	30,000	36,000	36,200	200
NET CHANGE IN FUND BALANCE	-	12,500	41,932	29,432
FUND BALANCE, BEGINNING OF YEAR	249,918	249,918	249,918	-
FUND BALANCE, END OF YEAR	\$ 249,918	\$ 262,418	\$ 291,850	\$ 29,432

# CITY OF CEDAR SPRINGS

## LIBRARY FUND

### SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2004

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
<b>REVENUES</b>				
Intergovernmental revenue:				
State	\$ 6,500	\$ 6,750	\$ 8,165	\$ 1,415
Local	51,650	60,400	60,758	358
Property taxes	27,050	27,400	27,754	354
Fines	19,000	17,100	17,121	21
Other	12,000	14,560	18,632	4,072
Interest	800	330	370	40
<b>TOTAL REVENUES</b>	<u>117,000</u>	<u>126,540</u>	<u>132,800</u>	<u>6,260</u>
<b>EXPENDITURES</b>				
Recreational and Cultural:				
Salaries and wages	66,700	59,650	60,229	(579)
Operating supplies	16,300	22,305	22,022	283
Telephone	1,100	900	759	141
Utilities	2,900	3,200	2,764	436
Repairs and maintenance	19,200	17,700	15,920	1,780
Rent	1,600	1,600	1,502	98
Insurance and bonds	5,700	5,970	6,009	(39)
Membership and dues	5,000	5,210	4,183	1,027
Professional service	5,000	7,000	10,720	(3,720)
Miscellaneous	200	5,500	5,715	(215)
<b>TOTAL EXPENDITURES</b>	<u>123,700</u>	<u>129,035</u>	<u>129,823</u>	<u>(788)</u>
<b>NET CHANGE IN FUND BALANCE</b>	(6,700)	(2,495)	2,977	5,472
<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>44,581</u>	<u>44,581</u>	<u>44,581</u>	-
<b>FUND BALANCE, END OF YEAR</b>	<u>\$ 37,881</u>	<u>\$ 42,086</u>	<u>\$ 47,558</u>	<u>\$ 5,472</u>

**CITY OF CEDAR SPRINGS**

**SIDEWALK FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2004**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES				
Special assessments	\$ -	\$ -	\$ 3,417	\$ 3,417
TOTAL EXPENDITURES	-	-	-	-
NET CHANGE IN FUND BALANCES	-	-	3,417	3,417
FUND BALANCE, BEGINNING OF YEAR	12,923	12,923	12,923	-
FUND BALANCE, END OF YEAR	\$ 12,923	\$ 12,923	\$ 16,340	\$ 3,417

**CITY OF CEDAR SPRINGS**  
**FEDERAL COMMUNITY DEVELOPMENT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2004**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
REVENUES				
Intergovernmental revenue:				
State	\$ 1,000	\$ 1,000	\$ 284	\$ (716)
Interest	1,800	1,800	841	(959)
TOTAL REVENUES	2,800	2,800	1,125	(1,675)
TOTAL EXPENDITURES	-	-	-	-
NET CHANGE IN FUND BALANCES	2,800	2,800	1,125	-
FUND BALANCE, BEGINNING OF YEAR	85,683	85,683	85,683	-
FUND BALANCE, END OF YEAR	\$ 88,483	\$ 88,483	\$ 86,808	\$ -

**CITY OF CEDAR SPRINGS**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES**  
**BUDGET AND ACTUAL**

**FOR THE YEAR ENDED JUNE 30, 2004**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
GENERAL GOVERNMENT				
LEGISLATIVE - CITY COUNCIL				
Salaries and wages	\$ 6,250	\$ 7,250	\$ 7,200	\$ 50
Conventions	5,500	4,500	4,346	154
Entertainment	1,300	1,300	-	1,300
Miscellaneous	1,000	2,000	1,869	131
TOTAL LEGISLATIVE - CITY COUNCIL	14,050	15,050	13,415	1,635
CITY MANAGER				
Salaries and wages	25,400	36,000	33,974	2,026
Travel and conferences	5,000	4,700	3,755	945
Printing and publishing	500	-	-	-
Transportation	800	2,300	4,014	(1,714)
Miscellaneous	4,500	4,500	4,005	495
TOTAL CITY MANAGER	36,200	47,500	45,748	1,752
ELECTIONS				
Salaries and wages	1,500	1,500	1,206	294
Operating supplies	600	1,200	1,020	180
Professional services	500	600	567	33
Printing and publishing	100	700	766	(66)
TOTAL ELECTIONS	2,700	4,000	3,559	441
INDEPENDENT AUDIT / ACCOUNTING				
Auditing services	15,000	8,200	7,234	966
ASSESSOR				
Professional services	16,000	15,700	11,654	4,046
Operating supplies	3,200	3,500	6,915	(3,415)
TOTAL ASSESSOR	19,200	19,200	18,569	631
CITY ATTORNEY				
Professional services	30,000	46,000	49,923	(3,923)

(Continued)



**CITY OF CEDAR SPRINGS**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES**  
**BUDGET AND ACTUAL (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2004**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
GENERAL GOVERNMENT (CONTINUED)				
DEPUTY CLERK				
Salaries and wages	\$ 36,800	\$ 40,800	\$ 38,278	\$ 2,522
Travel and conferences	3,300	2,550	466	2,084
Printing and publishing	8,200	7,200	6,026	1,174
Miscellaneous	400	400	510	(110)
TOTAL DEPUTY CLERK	48,700	50,950	45,280	5,670
BOARD OF REVIEW				
Salaries and wages	800	800	450	350
Miscellaneous	400	400	79	321
TOTAL BOARD OF REVIEW	1,200	1,200	529	671
GENERAL ADMINISTRATION				
Salaries and wages	56,600	56,600	56,119	481
Office supplies	12,300	12,300	12,603	(303)
Telephone	12,000	7,000	8,298	(1,298)
Travel and conferences	2,200	1,450	977	473
Insurance and bonds	31,000	33,400	33,273	127
Capital outlay	500	500	-	500
Miscellaneous	2,500	5,500	5,010	490
TOTAL GENERAL ADMINISTRATION	117,100	116,750	116,280	470
CITY HALL AND GROUNDS				
Salaries and wages	2,500	2,500	2,155	345
Utilities	15,300	16,000	14,899	1,101
Repairs and maintenance	4,000	14,500	14,680	(180)
Miscellaneous	7,500	8,200	8,832	(632)
TOTAL CITY HALL AND GROUNDS	29,300	41,200	40,566	634

(Continued)

**CITY OF CEDAR SPRINGS**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES**  
**BUDGET AND ACTUAL (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2004**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
<b>GENERAL GOVERNMENT (CONTINUED)</b>				
<b>CEMETERY</b>				
Salaries and wages	\$ 15,400	\$ 15,400	\$ 12,067	\$ 3,333
Operating supplies	500	500	853	(353)
Utilities	200	200	49	151
Repairs and maintenance	500	500	2,156	(1,656)
Equipment rental	24,000	24,000	21,512	2,488
<b>TOTAL CEMETERY</b>	<b>40,600</b>	<b>40,600</b>	<b>36,637</b>	<b>3,963</b>
<b>COMMUNITY PROMOTION</b>				
Salaries and wages	11,000	13,585	12,863	722
Professional services	15,000	13,000	8,660	4,340
Operating supplies	1,000	4,000	3,519	481
Utilities	1,000	1,000	382	618
Equipment rental	16,000	16,000	19,608	(3,608)
Miscellaneous	16,900	9,400	10,393	(993)
<b>TOTAL COMMUNITY PROMOTION</b>	<b>60,900</b>	<b>56,985</b>	<b>55,425</b>	<b>1,560</b>
<b>TOTAL GENERAL GOVERNMENT</b>	<b>414,950</b>	<b>447,635</b>	<b>433,165</b>	<b>14,470</b>
<b>PUBLIC SAFETY</b>				
<b>POLICE DEPARTMENT</b>				
Salaries and wages	280,000	290,000	286,524	3,476
Office supplies	18,100	18,100	18,363	(263)
Operating supplies	3,000	3,000	3,886	(886)
Clothing and laundry	5,000	5,000	4,253	747
Repairs and maintenance	12,500	12,500	16,699	(4,199)
Professional services	10,000	18,000	21,192	(3,192)
Telephone	3,000	1,500	63	1,437
Education and training	2,500	2,500	638	1,862
Radio and dispatch	41,500	37,500	35,475	2,025
Gasoline and oil	8,400	8,400	10,671	(2,271)
Capital outlay	35,000	33,000	25,222	7,778
Miscellaneous	3,100	3,100	2,727	373
<b>TOTAL POLICE DEPARTMENT</b>	<b>422,100</b>	<b>432,600</b>	<b>425,713</b>	<b>6,887</b>

(Continued)

**CITY OF CEDAR SPRINGS**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES**  
**BUDGET AND ACTUAL (CONTINUED)**  
**FOR THE YEAR ENDED JUNE 30, 2004**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
<b>PUBLIC SAFETY (CONTINUED)</b>				
<b>FIRE DEPARTMENT</b>				
Salaries and wages	\$ 45,000	\$ 45,000	\$ 45,437	\$ (437)
Office supplies	1,800	1,800	1,795	5
Operating supplies	2,000	2,000	2,499	(499)
Clothing and laundry	2,000	2,000	1,652	348
Repairs and maintenance	5,500	4,500	4,146	354
Professional services	6,700	6,700	4,744	1,956
Telephone	1,200	1,200	1,384	(184)
Utilities	4,300	4,300	3,871	429
Education and training	2,000	2,000	805	1,195
Hydrant rental	10,000	10,000	10,000	-
Capital outlay	18,200	21,788	7,313	14,475
Miscellaneous	4,200	3,920	4,387	(467)
<b>TOTAL FIRE DEPARTMENT</b>	<b>102,900</b>	<b>105,208</b>	<b>88,033</b>	<b>17,175</b>
<b>BUILDING INSPECTION</b>				
Salaries and wages	4,800	4,800	4,794	6
Professional services	22,500	22,500	22,627	(127)
<b>TOTAL BUILDING INSPECTION</b>	<b>27,300</b>	<b>27,300</b>	<b>27,421</b>	<b>(121)</b>
<b>PLANNING COMMISSION</b>				
Professional and contractual services	24,000	32,000	35,673	(3,673)
Printing and publishing	5,500	3,500	1,896	1,604
Miscellaneous	1,000	1,000	656	344
<b>TOTAL PLANNING COMMISSION</b>	<b>30,500</b>	<b>36,500</b>	<b>38,225</b>	<b>(1,725)</b>
<b>TOTAL PUBLIC SAFETY</b>	<b>582,800</b>	<b>601,608</b>	<b>579,392</b>	<b>22,216</b>
<b>PUBLIC WORKS</b>				
<b>STREET LIGHTING</b>				
Electric	29,000	30,500	30,120	380
<b>PUBLIC WORKS</b>				
Salaries and wages	8,800	8,800	9,380	(580)
Professional services	2,000	1,500	4,401	(2,901)
Electric	1,000	1,000	917	83
Equipment rental	12,000	9,000	8,899	101
Miscellaneous	4,000	4,000	160	3,840
<b>TOTAL PUBLIC WORKS</b>	<b>27,800</b>	<b>24,300</b>	<b>23,757</b>	<b>543</b>
<b>TOTAL PUBLIC WORKS</b>	<b>56,800</b>	<b>54,800</b>	<b>53,877</b>	<b>923</b>

(Continued)

**CITY OF CEDAR SPRINGS**  
**GENERAL FUND**  
**SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES**  
**BUDGET AND ACTUAL (CONCLUDED)**  
**FOR THE YEAR ENDED JUNE 30, 2004**

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE POSITIVE (NEGATIVE)
RECREATION AND CULTURAL				
PARKS AND RECREATION				
Salaries and wages	\$ 9,525	\$ 7,525	\$ 6,742	\$ 783
Utilities	1,000	1,000	-	1,000
Repairs and maintenance	16,600	33,900	33,231	669
Miscellaneous	6,000	6,000	6,248	(248)
TOTAL RECREATION AND CULTURAL	33,125	48,425	46,221	2,204
OTHER EXPENDITURES				
Employee benefits	143,000	122,300	120,477	1,823
Information technology	22,000	23,500	22,431	1,069
Pension	23,000	17,200	16,639	561
Social security	37,100	40,100	40,530	(430)
TOTAL OTHER EXPENDITURES	225,100	203,100	200,077	3,023
DEBT SERVICE				
Principal	6,100	6,100	6,046	54
Interest	700	700	673	27
TOTAL OTHER EXPENDITURES	6,800	6,800	6,719	81
TOTAL EXPENDITURES	1,319,575	1,362,368	1,319,451	42,917
OTHER FINANCING (USES)				
Transfers out	129,000	129,000	128,433	567
TOTAL EXPENDITURES AND OTHER FINANCING USES	\$ 1,448,575	\$ 1,491,368	\$ 1,447,884	\$ 43,484

(Concluded)

**FIDUCIARY FUND**

# CITY OF CEDAR SPRINGS

## AGENCY FUND STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

FOR THE YEAR ENDED JUNE 30, 2004

	BALANCE JULY 1, 2003	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2004
<u>TRUST AND AGENCY</u>				
ASSETS				
Cash and cash equivalents	\$ 760	\$ 2,409,278	\$ 2,407,427	\$ 2,611
LIABILITIES				
Accounts payable	\$ 760	\$ 1,445,397	\$ 1,443,546	\$ 2,611

## COMPONENT UNITS

**CITY OF CEDAR SPRINGS**  
**COMBINING BALANCE SHEET**  
**DOWNTOWN DEVELOPMENT AUTHORITY**

**JUNE 30, 2004**

	<u>GENERAL</u>	<u>CAPITAL PROJECTS</u>	<u>TOTAL</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 2,551	\$ 15,222	\$ 17,773
Land	35,901	-	35,901
<u>TOTAL ASSETS</u>	<u>\$ 38,452</u>	<u>\$ 15,222</u>	<u>\$ 53,674</u>
<u>LIABILITIES AND FUND EQUITY</u>			
<u>LIABILITIES</u>			
Accounts payable	\$ 617	\$ -	\$ 617
Fund balance			
Unreserved - undesignated	37,835	15,222	53,057
<u>TOTAL LIABILITIES AND FUND EQUITY</u>	<u>\$ 38,452</u>	<u>\$ 15,222</u>	<u>\$ 53,674</u>



**CITY OF CEDAR SPRINGS**

**RECONCILIATION OF THE FUND BALANCES ON THE BALANCE SHEET  
FOR COMPONENT UNIT FUNDS TO THE NET ASSETS OF COMPONENT UNIT  
ACTIVITIES ON THE STATEMENT OF NET ASSETS**

**DOWNTOWN DEVELOPMENT AUTHORITY**

**JUNE 30, 2004**

Fund balance - Downtown Development Authority	\$ 53,057
Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
Deduct- bonds payable	(135,000)
Deduct- accrued interest	<u>(1,570)</u>
Net assets of Downtown Development Authority, end of year	<u><u>\$ (83,513)</u></u>

**CITY OF CEDAR SPRINGS**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES**

**DOWNTOWN DEVELOPMENT AUTHORITY**

**FOR THE YEAR ENDED JUNE 30, 2004**

	<u>GENERAL</u>	<u>CAPITAL PROJECTS</u>	<u>TOTAL</u>
REVENUES			
Taxes	\$ 93,498	\$ -	\$ 93,498
Interest	1,385	-	1,385
TOTAL REVENUES	<u>94,883</u>	<u>-</u>	<u>94,883</u>
EXPENDITURES			
Public works	22,110	-	22,110
Debt service:			
Principal retirement	65,000	-	65,000
Interest and fiscal charges	<u>9,705</u>	<u>-</u>	<u>9,705</u>
TOTAL EXPENDITURES	<u>96,815</u>	<u>-</u>	<u>96,815</u>
NET CHANGE IN FUND BALANCES	(1,932)	-	(1,932)
FUND BALANCES , BEGINNING OF YEAR	<u>39,767</u>	<u>15,222</u>	<u>54,989</u>
FUND BALANCES, END OF YEAR	<u>\$ 37,835</u>	<u>\$ 15,222</u>	<u>\$ 53,057</u>

**CITY OF CEDAR SPRINGS**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGE IN FUND BALANCES TO THE**  
**STATEMENT OF ACTIVITIES**  
**DOWNTOWN DEVELOPMENT AUTHORITY**  
**FOR THE YEAR ENDED JUNE 30, 2004**

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Net change in fund balances - total component units	\$ (1,932)
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Amounts reported for component unit activities in the statement of activities  
are different because:

Bond proceeds provide current financial resources to component unit funds in the period  
issued, but issuing bonds increases long-term liabilities in the statement of net assets.  
Repayment of bond principal is an expenditure in the component unit funds, but the  
repayment reduces long-term liabilities in the statement of net assets.

Add - principal payments on long-term debt	65,000
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Some expenses reported in the statement of activities do not require the use of current  
financial resources and therefore are not reported as expenditures in the funds.

Add - decrease in accrued interest	<u>731</u>
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Change in net assets of component unit activities	<u><u>\$ 63,799</u></u>
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**CITY OF CEDAR SPRINGS**  
**BALANCE SHEET/STATEMENT OF NET ASSETS**  
**LOCAL DEVELOPMENT FINANCE AUTHORITY**

**JUNE 30, 2004**

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		LOCAL DEVELOPMENT FINANCE AUTHORITY
<u>ASSETS</u>		
Cash and cash equivalents		\$ 218,270
Land		-
	<u>TOTAL ASSETS</u>	<u>\$ 218,270</u>

LIABILITIES AND FUND BALANCES

LIABILITIES		
Accounts payable		\$ -
Fund balance/Net Assets		
Unreserved - undesignated/Unrestricted		<u>218,270</u>
	<u>TOTAL LIABILITIES AND FUND BALANCES/NET ASSETS</u>	<u>\$ 218,270</u>

**CITY OF CEDAR SPRINGS**

**STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES/STATEMENT OF ACTIVITIES**

**LOCAL DEVELOPMENT FINANCE AUTHORITY**

**FOR THE YEAR ENDED JUNE 30, 2004**

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	<u>LOCAL DEVELOPMENT FINANCE AUTHORITY</u>
REVENUES	
Taxes	\$ 35,736
Interest	<u>1,965</u>
TOTAL REVENUES	<u>37,701</u>
EXPENDITURES	
Public works	<u>35,835</u>
TOTAL EXPENDITURES	<u>35,835</u>
REVENUES OVER(UNDER) EXPENDITURES	1,866
CHANGE IN NET ASSETS	1,866
FUND BALANCES/NET ASSETS, BEGINNING OF YEAR	<u>216,404</u>
FUND BALANCES/NET ASSETS, END OF YEAR	<u><u>\$ 218,270</u></u>

**SCHEDULE OF INDEBTEDNESS**

**CITY OF CEDAR SPRINGS**

**SCHEDULE OF INDEBTEDNESS**

**JUNE 30, 2004**

	DATE OF ISSUE	AMOUNT OF ISSUE	INTEREST RATE	DATE OF MATURITY	PRINCIPAL	INTEREST	AMOUNT OF TOTAL OUTSTANDING
<b>PRIMARY GOVERNMENT DEBT:</b>							
<u>GENERAL OBLIGATION DEBT</u>							
1997 Special Assessment and General Obligation Limited Tax Street Improvement Bonds	05/22/96	\$ 785,000	5 - 7%	10/01/04	\$ 55,000	\$ 21,015	\$ 76,015
				10/01/05	55,000	18,471	73,471
				10/01/06	55,000	15,914	70,914
				10/01/07	55,000	13,288	68,288
				10/01/08	60,000	10,470	70,470
				10/01/09	60,000	7,500	67,500
				10/01/10	60,000	4,500	64,500
				10/01/11	60,000	1,500	61,500
					<u>460,000</u>	<u>92,658</u>	<u>552,658</u>
2003 General Obligation Improvement Bonds	04/17/03	1,985,000	2 - 4.4%	04/01/05	10,000	77,595	87,595
				04/04/06	15,000	77,395	92,395
				04/01/07	45,000	77,058	122,058
				04/01/08	50,000	75,933	125,933
				04/01/09	55,000	74,433	129,433
				04/01/10	65,000	72,783	137,783
				04/01/11	70,000	70,670	140,670
				04/01/12	80,000	68,290	148,290
				04/01/13	85,000	65,490	150,490
				04/01/14	100,000	62,430	162,430
				04/01/15	110,000	58,630	168,630
				04/01/16	120,000	54,450	174,450
				04/01/17	130,000	49,890	179,890
				04/01/18	140,000	44,560	184,560
				04/01/19	155,000	38,820	193,820
				04/01/20	165,000	32,310	197,310
				04/01/21	180,000	25,380	205,380
				04/01/22	195,000	17,820	212,820
				04/01/23	210,000	9,240	219,240
					<u>1,980,000</u>	<u>1,053,175</u>	<u>3,033,175</u>
Installment Purchase Agreement	8/26/02	25,000	4.8%	08/26/04	6,246	473	6,719
				08/26/05	6,452	267	6,719
				08/26/06	3,306	54	3,360
					<u>16,004</u>	<u>793</u>	<u>16,797</u>
Accumulated Employee Benefits					<u>33,334</u>	<u>-</u>	<u>33,334</u>
TOTAL GENERAL OBLIGATION DEBT					<u>2,489,338</u>	<u>1,146,626</u>	<u>3,635,964</u>

(Continued)

**CITY OF CEDAR SPRINGS**

**SCHEDULE OF INDEBTEDNESS (CONTINUED)**

**JUNE 30, 2004**

	DATE OF ISSUE	AMOUNT OF ISSUE	INTEREST RATE	DATE OF MATURITY	PRINCIPAL	INTEREST	AMOUNT OF TOTAL OUTSTANDING
<b>PRIMARY GOVERNMENT DEBT:</b>							
<b>ENTERPRISE FUNDS</b>							
1996A Sanitary Sewer System Revenue Bonds	03/04/97	\$ 3,000,000	4.50%	03/01/05	\$ 38,000	\$ 124,920	\$ 162,920
				03/01/06	40,000	123,210	163,210
				03/01/07	42,000	121,410	163,410
				03/01/08	43,000	119,520	162,520
				03/01/09	46,000	117,586	163,586
				03/01/10	47,000	115,516	162,516
				03/01/11	50,000	113,400	163,400
				03/01/12	52,000	111,150	163,150
				03/01/13	54,000	108,810	162,810
				03/01/14	57,000	106,380	163,380
				03/01/15	59,000	103,816	162,816
				03/01/16	62,000	101,160	163,160
				03/01/17	65,000	98,370	163,370
				03/01/18	67,000	95,446	162,446
				03/01/19	71,000	92,430	163,430
				03/01/20	74,000	89,236	163,236
				03/01/21	77,000	85,906	162,906
				03/01/22	81,000	82,440	163,440
				03/01/23	84,000	78,796	162,796
				03/01/24	88,000	75,016	163,016
				03/01/25	92,000	71,056	163,056
				03/01/26	96,000	66,916	162,916
				03/01/27	100,000	62,596	162,596
				03/01/28	105,000	58,096	163,096
				03/01/29	110,000	53,370	163,370
				03/01/30	114,000	48,420	162,420
				03/01/31	120,000	43,290	163,290
				03/01/32	125,000	37,890	162,890
				03/01/33	131,000	32,266	163,266
				03/01/34	137,000	26,370	163,370
				03/01/35	143,000	20,206	163,206
				03/01/36	149,000	13,770	162,770
				03/01/37	158,000	7,066	165,066
					<u>2,777,000</u>	<u>2,605,830</u>	<u>5,382,830</u>

(Continued)



**CITY OF CEDAR SPRINGS**

**SCHEDULE OF INDEBTEDNESS (CONTINUED)**

**JUNE 30, 2004**

	DATE OF ISSUE	AMOUNT OF ISSUE	INTEREST RATE	DATE OF MATURITY	PRINCIPAL	INTEREST	AMOUNT OF TOTAL
							OUTSTANDING
PRIMARY GOVERNMENT DEBT:							
ENTERPRISE FUNDS (CONTINUED)							
1996B Sanitary Sewer System Revenue Bonds	03/04/97	\$ 650,000	4.50%	03/01/05	\$ 8,000	\$ 27,046	\$ 35,046
				03/01/06	9,000	26,686	35,686
				03/01/07	9,000	26,280	35,280
				03/01/08	9,000	25,876	34,876
				03/01/09	10,000	25,470	35,470
				03/01/10	10,000	25,020	35,020
				03/01/11	11,000	24,570	35,570
				03/01/12	11,000	24,076	35,076
				03/01/13	12,000	23,580	35,580
				03/01/14	12,000	23,040	35,040
				03/01/15	13,000	22,500	35,500
				03/01/16	13,000	21,916	34,916
				03/01/17	14,000	21,330	35,330
				03/01/18	15,000	20,700	35,700
				03/01/19	15,000	20,026	35,026
				03/01/20	16,000	19,350	35,350
				03/01/21	17,000	18,630	35,630
				03/01/22	17,000	17,866	34,866
				03/01/23	18,000	17,100	35,100
				03/01/24	19,000	16,290	35,290
				03/01/25	20,000	15,436	35,436
				03/01/26	21,000	14,536	35,536
				03/01/27	22,000	13,590	35,590
				03/01/28	23,000	12,600	35,600
				03/01/29	24,000	11,566	35,566
				03/01/30	25,000	10,486	35,486
				03/01/31	26,000	9,360	35,360
				03/01/32	27,000	8,190	35,190
				03/01/33	28,000	6,976	34,976
				03/01/34	30,000	5,716	35,716
				03/01/35	31,000	4,366	35,366
				03/01/36	32,000	2,970	34,970
				03/01/37	33,000	1,530	34,530
					600,000	564,674	1,164,674

(Continued)

**CITY OF CEDAR SPRINGS**

**SCHEDULE OF INDEBTEDNESS (CONTINUED)**

**JUNE 30, 2004**

	DATE OF ISSUE	AMOUNT OF ISSUE	INTEREST RATE	DATE OF MATURITY	PRINCIPAL	INTEREST	AMOUNT OF TOTAL OUTSTANDING
<b>PRIMARY GOVERNMENT DEBT:</b>							
<b>ENTERPRISE FUNDS (CONTINUED)</b>							
2002 Water Supply System Revenue Bonds	09/01/02	\$ 750,000	4.5 - 4.8%	09/01/04	\$ 25,000	\$ 34,800	\$ 59,800
				09/01/05	25,000	33,600	58,600
				09/01/06	25,000	32,400	57,400
				09/01/07	30,000	31,200	61,200
				09/01/08	30,000	29,760	59,760
				09/01/09	30,000	28,320	58,320
				09/01/10	30,000	26,880	56,880
				09/01/11	35,000	25,440	60,440
				09/01/12	35,000	23,760	58,760
				09/01/13	35,000	22,080	57,080
				09/01/14	40,000	20,400	60,400
				09/01/15	40,000	18,480	58,480
				09/01/16	40,000	16,560	56,560
				09/01/17	45,000	14,640	59,640
				09/01/18	45,000	12,480	57,480
				09/01/19	50,000	10,320	60,320
				09/01/20	50,000	7,920	57,920
				09/01/21	55,000	5,520	60,520
				09/01/22	60,000	2,880	62,880
					725,000	397,440	1,122,440
<b>TOTAL ENTERPRISE FUNDS BONDS</b>					4,102,000	3,567,944	7,669,944
<b>TOTAL LONG-TERM DEBT-PRIMARY GOVERNMENT</b>					6,591,338	4,714,570	11,305,908
<b>COMPONENT UNIT DEBT</b>							
General Obligation Limited Tax Streetscape	08/28/97	450,000	3.8 - 4.7%	04/01/05	65,000	6,280	71,280
Development Bonds, Series 1997				04/01/06	70,000	3,290	73,290
					135,000	9,570	144,570
<b>TOTAL LONG-TERM DEBT - REPORTING ENTITY</b>					\$ 6,726,338	\$ 4,724,140	\$ 11,450,478

(Concluded)

**INTERNAL CONTROL  
AND  
COMPLIANCE**



# REHMANN ROBSON

*Certified Public Accountants*

A member of THE REHMANN GROUP

An Independent Member of Baker Tilly International

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

July 23, 2004

Honorable Mayor and  
Members of the City Council  
Cedar Springs, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Cedar Springs, Michigan, as of and for the year ended June 30, 2004 which collectively comprise the City's basic financial statements as listed in the table of contents, and have issued our report thereon dated July 23, 2004.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the City of Cedar Springs, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Cedar Springs, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting that we consider to be material weaknesses.

This report is intended solely for the information and use of the City Council, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Rehmann Robson*